

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN BOB STORY**, on January 15, 2001 at 10:00 A.M., in Room 472 Capitol.

ROLL CALL

Members Present:

Rep. Bob Story, Chairman (R)
Rep. Ron Erickson, Vice Chairman (D)
Rep. Roger Somerville, Vice Chairman (R)
Rep. Joan Andersen (R)
Rep. Keith Bales (R)
Rep. Joe Balyeat (R)
Rep. Gary Branae (D)
Rep. Eileen Carney (D)
Rep. Larry Cyr (D)
Rep. Rick Dale (R)
Rep. Ronald Devlin (R)
Rep. John Esp (R)
Rep. Gary Forrester (D)
Rep. Verdell Jackson (R)
Rep. Jesse Laslovich (D)
Rep. Butch Waddill (R)
Rep. Karl Waitschies (R)
Rep. David Wanzenried (D)

Members Excused: Rep. Daniel Fuchs (R)
Rep. Trudi Schmidt (D)

Members Absent: None.

Staff Present: Jeff Martin, Legislative Branch
Rhonda Van Meter, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: None
Executive Action: HB 23; HB 24

CHAIRMAN STORY discussed the process of submitting amendments on a bill. He also discussed his thoughts on scheduling executive action on bills the committee has already heard, and there was input from bill sponsors as to the status of specific bills and amendments.

EXECUTIVE ACTION ON HB 23

Motion: **REPRESENTATIVE ERICKSON** moved that **HB 23 DO PASS.**

Discussion:

REPRESENTATIVE ERICKSON reminded the committee that this is a simplification bill going from taxable value to assessed value. The fiscal note as given has three technical notes which they feel should be removed.

REPRESENTATIVE WANZENRIED asked Jeff Martin to explain why these three notes should be removed. **Jeff Martin** said the third technical amendment refers to the calculations based on total market value versus taxable market value. The language in the bill refers to total assessed value, so there is confusion, but the language in the bill is clear that taxable market value is used and not total assessed value. The second technical note provides additional ability for local governments to incur debt, which was enacted last session, so he was unsure why this was needed. The first technical note is obvious and states if you issue debt and are repaying debt, it is based on revenue from the project and does not count toward general obligation debt.

REPRESENTATIVE WANZENRIED asked if the committee could remove the technical notes. **REPRESENTATIVE ERICKSON** said he has been told they can. When this bill gets to the floor, it is hoped it will have a revised fiscal note without the notes, especially #3.

REPRESENTATIVE STORY said after the committee takes executive action, they can request a revised fiscal note before the bill gets to the floor.

REPRESENTATIVE FORRESTER asked Chairman Story if he felt there were problems with the bill while in the interim committee and how the vote came out. **CHAIRMAN STORY** said he did not recall the vote on the interim committee but thought it was unanimous. In recent years we have reduced the property tax base, and every time this was done, we went back into all the bonding statutes and put an add-in back in. At the local level to figure the bonding capacity, they had to go through all the calculations to see if they were at their bonding capacity. The larger communities will never come close to their limit because the voters will never pass enough debt. The small communities could

probably pass the debt, but their limit is so small they cannot buy anything anyway, so they do not bond a lot. He referred to the handout Representative Erickson passed out showing the communities that would lose by changing to assessed value.

REPRESENTATIVE ERICKSON said they looked at how other states did this, and they are more liberal with their debt limits than Montana. The increase for some cities and counties would not cause a big difference.

REPRESENTATIVE BALYEAT said in the fiscal impact it says municipality debt limitations would increase by approximately \$85,600,000. Apparently the interim committee recommended to Representative Erickson where to set this at so there were not many losers and wondered if this was how this was decided on.

CHAIRMAN STORY said if they left it at 100% there is a lot of losers. They picked a number of 120, and if the legislature wants to put in a different number, that would be fine. **Jeff Martin** said the \$85 million was tied to technical note #3 and estimated based on using total market value rather than taxable market value. **REPRESENTATIVE BALYEAT** said it would not be \$85 million increase if they had not made the wrong assumption. He asked if there was an idea of how much this would really be.

Jeff Martin said it was about a 20% increase based on their calculations. **CHAIRMAN STORY** said it relates to all the residential property being valued in Class 4. It could be calculated, but you would have to know how much was residential property. **REPRESENTATIVE BALYEAT** asked if there was any simple way to amend the bill to make it clear so there is not the confusion of what value is used. **Jeff Martin** said it is just a matter of getting a revised fiscal note. **REPRESENTATIVE BALYEAT** asked if the language in the bill was clear but it was just misinterpreted for the fiscal note. **Jeff Martin** said that was correct. **REPRESENTATIVE ERICKSON** said during the interim process they tried a number of things, including taking the categories of counties and possibly having different percentages, but the bill was then getting more complex when simplifying was the goal.

REPRESENTATIVE BALYEAT said he would vote for this because the voters decide anyway and can determine need better on a local basis. If no local governments are up to their limit now, it seems this is just a cleanup bill so each time the taxable values are adjusted they do not have to go back and change all of the statues.

REPRESENTATIVE SOMERVILLE said the voter at home now has a say in how the bondings are funded and what the amount is, so this is just to clean things up so the voter can make the final decision.

REPRESENTATIVE WANZENRIED asked if the interim committee looked at the need to have the state set limits of any kind.

REPRESENTATIVE ERICKSON said the Constitution demands that we do so.

CHAIRMAN STORY said another issue pointed out by the bond people during the committee hearing was that they do not pay attention to debt when they look at the bond, they look at repayment capacity when they set their ratings.

REPRESENTATIVE FORRESTER said the committee members needed to realize you do not have to ever sign a fiscal note and do not have to agree with it. **CHAIRMAN STORY** asked if it was his job to request a new fiscal note. **Jeff Martin** said it was the sponsor's responsibility.

Motion/Vote: Motion Carried Unanimously, 20-0.

EXECUTIVE ACTION ON HB 24

Motion: **REPRESENTATIVE ERICKSON** moved that **HB 24 DO PASS.**

Discussion:

REPRESENTATIVE ERICKSON said this was the bill regarding bonding for schools. Because of information given to them by Madeline Quinlin, the idea of going to assessed value was dropped. Taxable value was kept, but all of the add-backs were dropped. This decreases bonding capacity in one part of the code, but schools are different because they have equalization. Another part of the code says if a school is suddenly no longer able to get the bonds it needs, they can go to another part of the code and get them. Madeline Quinlin said there are some grade schools and middle schools where the 45% may not allow them to build a brand new school, but there are no new schools being built right now. This bill is a simple cleanup bill.

REPRESENTATIVE BALLYEAT asked if in Representative Esp's district they are building new schools. **REPRESENTATIVE ESP** responded they are building a new school, but some of the costs come from the Hard Rock Mining Act, so the superintendents in the district felt this was not harmful. **CHAIRMAN STORY** said as they worked through this with OPI, they did not think it would create any major problems. The districts who are losing bonding value here gain it back on the state guarantee side anyway, so they might have more access to the state pool of money. None of this affects bonds presently in existence.

Motion/Vote: Motion Carried Unanimously, 20-0.

ADJOURNMENT

Adjournment: 10:38 A.M.

REP. BOB STORY, Chairman

RHONDA VAN METER, Secretary

BS/RV

EXHIBIT (tah11aad)